

**PRINCIPAL FINANCIAL STATEMENTS
AND NOTES**

PRINCIPAL FINANCIAL STATEMENTS

Principal Financial Statements Included in this Report

The principal financial statements included in this report have been prepared in accordance with the requirements of the Chief Financial Officers Act of 1990 (P.L. 101-576), the Government Management Reform Act of 1994 and the Office of Management and Budget's (OMB) Bulletin 97-01, "Form and Content of Agency Financial Statements." The responsibility for the integrity of the financial information included in these statements rests with management of the U.S. Department of Labor (DOL). The audit of DOL's principal financial statements was performed by the Office of Inspector General (OIG). The auditors' report issued by the Assistant Inspector General accompanies the principal statements.

The Department's principal financial statements for fiscal year (FY) 1998 consisted of the following:

- The **Consolidated Balance Sheet**, which presents as of September 30, 1998 those resources owned or managed by DOL which are available to provide future economic benefits (assets); amounts owed by DOL that will require payments from those resources (liabilities) and residual amounts retained by DOL, comprising the difference (net position).
- The **Consolidated Statement of Net Costs**, which presents the net cost of DOL operations for the year ended September 30, 1998. DOL's net cost of operations includes the gross costs incurred by DOL less any exchange revenue earned from DOL activities. Due to the complexity of DOL's operations, the classification of gross cost and exchange revenues by major program and suborganization is presented in Note 15 to the consolidated financial statements.
- The **Consolidated Statement of Changes in Net Position**, which presents the change in DOL's net position resulting from the net cost of DOL operations, financing sources other than exchange revenues consumed by DOL operations, and the change in DOL's unexpended appropriations during FY 1998.
- The **Consolidated Statement of Budgetary Resources**, which presents the budgetary resources available to DOL during FY 1998, the status of these resources at September 30, 1998 and the outlay of budgetary resources during FY 1998.
- The **Consolidated Statement of Financing**, which reconciles the net cost of operations with the obligation of budgetary resources for the year ended September 30, 1998.
- The **Consolidated Statement of Custodial Activity**, which presents for the year ended September 30, 1998, the sources and disposition of non-exchange revenues collected or accrued by DOL on behalf of other recipient entities.

Limitations on the Principal Financial Statements

The principal financial statements report the financial position and results of operations of DOL, pursuant to the requirements of U.S.C. 3515(b). The statements have been prepared from the books and records of DOL in accordance with OMB prescribed formats. The statements are different from the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity, and that liabilities reported in the financial statements cannot be liquidated without legislation that provides resources to do so.

U.S. DEPARTMENT OF LABOR

**CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 1998**

(Dollars in thousands)

ASSETS

Entity assets:

Intragovernmental assets	
Funds with U. S. Treasury (Notes 1-G and 2)	\$ 9,762,398
Investments (Notes 1-H and 3)	70,710,397
Accounts receivable, net of allowance (Notes 1-I and 4)	4,533,883
Total intragovernmental	<u>85,006,678</u>

Accounts receivable, net of allowance (Notes 1-I and 4)	573,004
Advances (Notes 1-J and 5)	185,903
Property, plant and equipment, net (Notes 1-K and 6)	<u>646,834</u>

Total entity assets	<u><u>86,412,419</u></u>
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Non-entity assets:

Intragovernmental assets	
Funds with U. S. Treasury (Notes 1-G and 2)	46,878
Investments (Notes 1-H and 3)	80,472
Accounts receivable, net of allowance (Notes 1-I and 4)	<u>1,220</u>
Total intragovernmental	<u>128,570</u>

Accounts receivable, net of allowance (Notes 1-I and 4)	<u>43,328</u>
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Total non-entity assets	<u><u>171,898</u></u>
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Total Assets	<u><u>\$ 86,584,317</u></u>
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The accompanying notes are an integral part of these statements.

**CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 1998**

(Dollars in thousands)

LIABILITIES AND NET POSITION

Liabilities covered by budgetary resources:

Intragovernmental liabilities	
Accounts payable	\$ 11,981
Other liabilities (Note 8)	53,279
Total intragovernmental	<u>65,260</u>
Accounts payable	341,982
Accrued benefits (Notes 1-M and 9)	624,106
Other liabilities (Note 8)	43,072
	<u>1,074,420</u>

Total liabilities covered by budgetary resources 1,074,420

Liabilities not covered by budgetary resources:

Intragovernmental liabilities	
Advances from U.S. Treasury (Notes 1-L and 7)	5,856,557
Other liabilities (Note 8)	127,986
Total intragovernmental	<u>5,984,543</u>
Accrued benefits (Notes 1-M and 9)	112,934
Future workers' compensation benefits (Notes 1-N and 10)	609,280
Accrued leave (Notes 1-O)	83,061
Other liabilities (Note 8)	112,601
	<u>6,902,419</u>

Total liabilities not covered by budgetary resources 6,902,419

Total liabilities 7,976,839

Net position: (Notes 1-S and 11)

Unexpended appropriations	10,289,980
Cumulative results of operations	68,317,498
	<u>78,607,478</u>

Total net position 78,607,478

Total Liabilities and Net Position \$ 86,584,317

The accompanying notes are an integral part of these statements.

U.S. DEPARTMENT OF LABOR

**CONSOLIDATED STATEMENT OF NET COSTS
FOR THE YEAR ENDED SEPTEMBER 30,1998**

(Dollars in thousands)

Crosscutting programs

Income maintenance

Intragovernmental	\$ 645,722
With the public	25,362,244
Total costs	26,007,966
Less earned revenues	(2,350,821)
Net programcosts	23,657,145

Employment and training programs

Intragovernmental	37,610
With the public	6,117,716
Total costs	6,155,326
Less earned revenues	(649)
Net programcosts	6,154,677

Labor, employment and pension standards

Intragovernmental	85,292
With the public	306,549
Total costs	391,841
Less earned revenues	(2,645)
Net programcosts	389,196

Worker safety and health

Intragovernmental	103,635
With the public	490,505
Total costs	594,140
Less earned revenues	(1,430)
Net programcosts	592,710

Other programs

Statistics

Intragovernmental	133,275
With the public	281,383
Total costs	414,658
Less earned revenues	(14,187)
Net programcosts	400,471

Costs not assigned to programs

65,367

Less earned revenues not assigned to programs

(20,656)

Net cost of operations

\$ 31,238,910

The accompanying notes are an integral part of these statements.

ANNUAL FINANCIAL STATEMENTS

**CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30,1998**

(Dollars in thousands)

Net cost of operations	\$ (31,238,910)
Financing sources other than exchange revenue:	
Appropriations used	6,973,484
Employer taxes	26,987,895
Other non-exchange revenue (Note 13)	5,615,419
Imputed financing	80,039
Transfers-in (Note 14)	14,798
Transfers-out (Note 14)	(836)
Net results of operations	8,431,889
Increase in unexpended appropriations	1,870,038
Change in net position	10,301,927
Net position, beginning of period	68,305,551
Net position, end of period	\$ 78,607,478

The accompanying notes are an integral part of these statements.

U.S. DEPARTMENT OF LABOR

**CONSOLIDATED STATEMENT OF BUDGETARY RESOURCES
FOR THE YEAR ENDED SEPTEMBER 30,1998**

(Dollars in thousands)

Budgetary Resources: (Note 15)

Budget authority	\$ 42,367,268
Unobligated balances, beginning	63,279,611
Transfers of prior year authority	12,339
Spending authority from offsetting collections	1,938,145
Adjustments	(85,586)

Total budgetary resources	\$ 107,511,777
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Status of Budgetary Resources:

Obligations incurred	\$ 35,323,381
Unobligated balances - available	71,439,557
Unobligated balances - not available	748,839

Total status of budgetary resources	\$ 107,511,777
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Outlays:

Obligations incurred	\$ 35,323,381
Less: spending authority from offsetting collections	(1,938,145)
Recoveries of prior year obligations	(94,170)
Change in unfilled customer orders	20,657
Obligated balance, net, beginning	6,644,270
Less: Obligated balance, net, ending	(8,359,622)

Total outlays	\$ 31,596,371
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The accompanying notes are an integral part of these statements.

**CONSOLIDATED STATEMENT OF FINANCING
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

(Dollars in thousands)

Obligations and nonbudgetary resources	
Obligations incurred	\$ 35,323,381
Less: Spending authority for offsetting collections and adjustments	(1,938,145)
Recoveries of prior year obligations	(94,170)
Financing imputed for cost subsidies	80,039
Transfers, net	13,962
Exchange revenue not in the budget	(27,386)
Trust fund exchange revenue	(452,781)
Total obligations as adjusted, and nonbudgetary resources	<u>32,904,900</u>
Resources that do not fund net cost of operations	
Change in amount of goods, services, and benefits ordered but not yet received or provided	(1,545,858)
Costs capitalized on the balance sheet	(127,584)
Other	(5,636)
Total resources that do not fund net cost of operations	<u>(1,679,078)</u>
Costs that do not require resources	
Depreciation and amortization	58,873
Revaluation of assets and liabilities	234,543
Benefit overpayments	(221,786)
Total costs that do not require resources	<u>71,630</u>
Financing sources yet to be provided	<u>(58,542)</u>
Net cost of operations	<u><u>\$ 31,238,910</u></u>

The accompanying notes are an integral part of these statements.

**CONSOLIDATED STATEMENT OF CUSTODIAL ACTIVITY
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

(Dollars in thousands)

Sources of revenue

Cash collections

Fines, penalties and related interest \$ 115,588

Less: ref unds (2,746)

Net collections 112,842

Accrual adjustment (898)

Total revenue \$ 111,944

Disposition of revenue

Transferred to others, net of ref unds -

U.S. Treasury General Fund \$ 112,842

Increase (decrease) in amounts to be transferred (898)

Total disposition of revenue \$ 111,944

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

These consolidated financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, financing and custodial activities of the U.S. Department of Labor (DOL), a cabinet level agency of the Executive Branch of the United States Government. DOL, through the execution of its congressionally approved budget, operates programs under three of the major budget functions established by Congress in the Budget and Impoundment Control Act of 1974: (1) education, training, employment and social services; (2) health (occupational health and safety); and (3) income security. DOL's budget consists of annual, multi-year and no-year appropriations covering various program activities within these budget functions.

DOL's financial activity is recorded by appropriation in individual funds, categorized within three separate fund types. These fund types and the individual funds comprising each are discussed below:

1. Revolving Fund

This fund type is used to account for the financing of goods or services provided by a central operation to agencies and other functions within DOL. Operations are funded on a cost reimbursement basis by the recipients of the goods or services. DOL accounts for one revolving fund.

The *Working Capital Fund* is responsible for the maintenance and operation of a comprehensive program of centralized services in the national office and the field. The Fund is reimbursed in advance from funds available to agencies, bureaus and offices for which centralized services are performed at rates which will return in full the cost of operations.

2. Trust Funds

This fund type is used to account for receipts that are held in trust and dedicated to specific purposes or for use in carrying out specific programs. The assets of trust funds may be held over a period of time and may be used to purchase revenue producing investments. DOL accounts for the following trust funds:

The *Unemployment Trust Fund* was established under Title IX of the Social Security Act to receive, hold, invest and disburse monies collected under the Federal Unemployment Tax Act, as well as state unemployment taxes collected by state employment security agencies and transferred to the Fund, and the unemployment taxes collected by the Railroad Retirement Board and transferred to the Fund.

The *Longshore and Harbor Workers' Trust Fund* provides medical benefits, compensation for lost wages and rehabilitation services for job related injuries and diseases or death to private sector workers in certain maritime and related employment.

The *District of Columbia Trust Fund* provides compensation and medical care payments to District of Columbia employees for work related injuries or death which occurred prior to July 26, 1982.

The *Black Lung Disability Trust Fund* provides compensation and medical benefits to eligible coal miners who suffer disability due to pneumoconiosis, and compensation benefits to their dependent survivors.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

2. Trust Funds - continued

The Hazardous Substance Response Fund provides for clean up of hazardous substance emergencies and abandoned hazardous waste sites.

Gifts and Bequests uses miscellaneous funds received by gift or bequest in support of various activities of the Secretary of Labor.

3. Appropriated (General) Funds

This fund type is used to account for receipts not dedicated to specific purposes and expenses arising under congressional appropriations or other authorizations to spend general revenues. DOL accounts for the following appropriated funds:

Salaries and Expenses include appropriated funds which are used for departmental administration and other activities in carrying out the missions and functions of the Department, except where specifically provided for from other funds of the Department.

Training and Employment Services provides for a flexible, decentralized system of Federal and local programs of training and other services for the economically disadvantaged designed to lead to permanent gains in employment, through grants to states and Federal programs such as Job Corps, currently authorized by the Job Training Partnership Act.

State Unemployment Insurance and Employment Service Operations includes grants to states for administering the Unemployment Compensation and Employment Service programs. Unemployment Compensation provides administrative grants to state agencies which pay unemployment benefits to eligible workers and collect state unemployment taxes from employers. The Employment Service is a nationwide system providing no-fee employment services to individuals who are seeking employment and employers who are seeking workers. Employment Service activities within the states are financed by allotments to states distributed under a demographically based funding formula established under the Wagner-Peyser Act, as amended.

The Federal Employees Workers' Compensation Fund provides wage replacement benefits and payment for medical services to covered Federal civilian employees injured on the job, employees who have incurred a work related occupational disease and beneficiaries of employees whose death is attributable to a job related injury. The Fund also provides for rehabilitation of injured employees to facilitate their return to work.

Payments to the Unemployment Trust Fund was initiated as a result of amendments to the Emergency Unemployment Compensation (EUC) law, which provided general fund financing to the *UTF* to pay emergency unemployment benefits and associated administrative costs. The Fund continues to process benefit overpayment refunds for the terminated EUC program.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

3. Appropriated (General) Funds - continued

Advances to the Unemployment Trust Fund and Other Funds provides advances to other accounts within the Unemployment Trust Fund to pay unemployment compensation whenever the balances in these accounts prove insufficient or whenever reimbursements to certain accounts, as allowed by law, are to be made. This account also provides repayable advances to the Black Lung Disability Trust Fund, to make disability payments whenever the fund balance proves insufficient.

Federal Unemployment Benefits and Allowances provides for payment of benefits, training, job search and relocation allowances as authorized by the Trade Act of 1974.

Community Service Employment for Older Americans provides part time work experience in community service activities to unemployed, low income persons aged 55 and over.

The Panama Canal Commission Compensation Fund has been established to provide for the accumulation of funds to meet the Panama Canal Commission's obligations for workers' compensation which will accrue under the Federal Employees' Compensation Act.

DOL and the Department of the Treasury (Treasury) are jointly responsible for the operations of two of the largest funds within the reporting entity, the Unemployment Trust Fund and the Black Lung Disability Trust Fund. DOL's Employment and Training Administration (ETA) and Employment Standards Administration (ESA), respectively, are responsible for the administrative oversight and policy direction for the programs financed by these trust funds. Treasury acts as custodian over monies deposited into the funds and also invests amounts in excess of disbursing requirements in Treasury securities on behalf of DOL. Through agreement with Treasury, DOL consolidates the financial results of the Unemployment Trust Fund and the Black Lung Disability Trust Fund for the preparation of financial statements prescribed under Section 303(b) of the Chief Financial Officers (CFO) Act of 1990.

The accompanying consolidated financial statements include the accounts of all funds under DOL control. All interfund balances and transactions have been eliminated. The consolidated financial statements do not include the effect of centrally administered assets and liabilities related to the Federal government as a whole, which may in part be attributable to DOL.

The Pension Benefit Guaranty Corporation (PBGC), a wholly owned Federal government corporation under the chairmanship of the Secretary of Labor, has been designated by OMB as a separate reporting entity for financial statement purposes and has been excluded from the DOL reporting entity.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation and Accounting

1. Basis of presentation

The consolidated financial statements present the financial position and results of operations of DOL, as required by the CFO Act of 1990, and the Government Management Reform Act of 1994, as well as the net cost of operations, changes in net position, budgetary resources, financing and custodial activity of DOL, as required by the Office of Management and Budget (OMB) in OMB Bulletin 97-01. They have been prepared from the books and records of DOL, in accordance with the form and content for entity financial statements specified in OMB Bulletin 97-01 and DOL's accounting policies, as summarized in Note 1. These statements are, therefore, different from the financial reports, also prepared by DOL pursuant to OMB directives, that are used to monitor and control DOL's use of budgetary resources.

OMB Bulletin 97-01 requires the following balance sheet classification of assets and liabilities:

- Assets should be classified and aggregated as entity and non-entity, based upon whether or not DOL has the authority to use the assets in its operations. An amount equal to non-entity assets should be recognized as a liability due to other entities.
- Liabilities should be classified and aggregated as covered by budgetary resources and not covered by budgetary resources, based upon whether or not budget authority or other resources have been made available to cover the liabilities. Liabilities covered by budgetary resources represent obligations of the government against available appropriations or other funds.
- Certain assets and liabilities should also be classified as intragovernmental. Intragovernmental assets and liabilities arise from transactions among entities within the Federal government.

2. Basis of accounting

Under the authority of the CFO Act of 1990, the Federal Accounting Standards Advisory Board (FASAB) was established to recommend Federal accounting standards to the Secretary of the Treasury, the Director of the Office of Management and Budget and the Comptroller General, co-principals of the FASAB. Specific standards agreed upon by the three principals are concurrently issued by the Director of OMB and the Comptroller General.

DOL prepared these principal financial statements in accordance with the following hierarchy of accounting principles and standards, constituted by (1) individual standards agreed to by the three FASAB principals and published by OMB and GAO, (2) interpretations related to the standards issued by OMB in accordance with the procedures outlined in OMB Circular A-134, "Financial Accounting Principles and Standards," (3) form and content requirements in OMB Bulletin 97-01 and (4) accounting principles published by authoritative standard setting bodies and other authoritative sources, (a) in the absence of other guidance in the first three parts of this hierarchy, and (b) if the use of such accounting standards improves the meaningfulness of the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Costs

The full cost of DOL's major programs are presented in the consolidated statement of net costs. Full cost includes all direct program costs and those indirect costs which can be reasonably assigned or allocated to the program. (See Note 15 for a further breakout of costs by suborganization and type).

D. Exchange Revenue

Revenues represent an inflow of resources to the Federal government, which are either earned, demanded or received by donation. Exchange (earned) revenues are earned through the provision of goods and services for a price. Exchange revenues are recognized by DOL to the extent reimbursements are payable from other Federal agencies and from the public, as a result of costs incurred or services performed on their behalf. Major sources of DOL's exchange revenue include reimbursements due to the Federal Employees' (Workers') Compensation Special Benefit Fund from Federal agencies for the costs of disability compensation and medical care provided to or accrued on behalf of their employees, and reimbursements due to the Unemployment Trust Fund from Federal agencies for the cost of unemployment benefits provided to or accrued on behalf of their employees. Exchange revenues are deducted from the full cost of DOL's major programs to arrive at net program cost.

E. Financing Sources Other Than Exchange Revenue

Non-exchange revenues arise from the Federal government's power to demand payments from and receive donations from the public. Non-exchange revenues are recognized by DOL for the transfer of employer and excise taxes from the entities collecting these taxes, as well as from imputed financing, interest income from investments and assessments levied against the public. Financing sources from Federal appropriations represent resource inflows to DOL other than exchange or non-exchange revenues. These non-exchange revenues and other financing sources are discussed below:

1. Appropriations used

DOL receives financing sources to support its operations through congressional appropriations. A financing source, appropriations used, is recognized to the extent these appropriated funds have been consumed. Appropriations are consumed through the recognition of accrued expenses for which budgetary resources have been obligated.

Accrued expenses not covered by budgetary resources do not consume appropriated capital in the period recognized, and must be funded from future appropriations. The consumption of appropriations used to purchase capital items is recognized at the time of purchase.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Financing Sources Other than Exchange Revenue - Continued

2. Employer taxes

Federal and state unemployment taxes represent non-exchange revenues collected from employers based on wages paid to employees in covered employment. Federal unemployment taxes are collected by the Internal Revenue Service and transferred to designated Federal accounts within the Unemployment Trust Fund. State unemployment taxes are collected by each State and deposited in separate State accounts within the Unemployment Trust Fund. Federal unemployment taxes are used to pay the Federal share of extended unemployment benefits and to provide for Federal and State administrative expenses related to the operation of the unemployment insurance program. State unemployment taxes are restricted in their use to the payment of unemployment benefits.

Excise taxes are collected from coal mine operators based on the sale of coal. These excise taxes are collected by the Internal Revenue Service and transferred to the Black Lung Disability Trust Fund.

Employer tax revenues are recognized on a modified cash basis, to the extent of cash transferred by the collecting entity to the receiving entity, plus the change in inter-entity balances between the collecting and receiving entity. Inter-entity balances represent revenue received by the collecting entity but not yet transferred to the receiving entity, as well as adjustments made by the collecting entity to previous transfers and amounts due to the collecting entity, net of allowance.

State unemployment tax revenues were \$20.0 billion, Federal unemployment tax revenues were \$6.4 billion and excise tax revenues were \$635.8 million in 1998.

3. Imputed financing

Non-exchange revenue is imputed by DOL to provide for pension and other retirement benefit expenses recognized by DOL but financed by the Office of Personnel Management (OPM), the Federal agency administering DOL's pension plans. (See Note 12).

4. Other non-exchange revenues

The Unemployment Trust Fund, Longshore and Harbor Workers' Compensation Act Trust Fund (Longshore and Harbor Workers' Trust Fund), District of Columbia Workmen's Compensation Trust Fund (District of Columbia Trust Fund) and Panama Canal Commission Compensation Fund receive interest on fund investments. Interest is recognized as non-exchange revenue when earned. Interest is also earned on Federal funds in the possession of non-Federal entities.

The Longshore and Harbor Workers' Trust Fund and District of Columbia Trust Fund receive non-exchange revenues from assessments levied on insurance companies and self-insured employers. Assessments are recognized as non-exchange revenues when due.

Also recognized as other non-exchange revenue are reimbursements due to the Unemployment Trust Fund from state and local government entities and non-profit organizations for the cost of unemployment benefits provided to or accrued on behalf of their employees. (See Note 13).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Financing Sources Other Than Exchange Revenue - Continued

5. Transfers

DOL recognized in 1998 as non-exchange revenue, non-expenditure transfers from the Panama Canal Commission to the Employment Standards Administration's Panama Canal Commission Compensation Fund, to provide for workers compensation benefits and from the Environmental Protection Agency to the Occupational Safety and Health Administration's Hazardous Substance Response Fund to assist in the clean-up of hazardous substances. DOL also recognizes as non-exchange revenue the transfer of property from the General Services Administration to the Employment and Training Administration (ETA) to be used in ETA job training programs. (See Note 14).

F. Non-Exchange Custodial Revenues

Penalties levied against employers by OSHA, MSHA, ESA and PWBA for regulatory violations, ETA disallowed grant costs assessed against canceled appropriations and FECA administrative costs assessed against government corporations in excess of amounts reserved to finance capital improvements in the Federal Employees Workers' Compensation Fund are not available to the agencies for obligation or expenditure, and must be transferred to the general fund of the U.S. Treasury. These penalties and other assessments are recognized as non-exchange custodial revenues when collected or subject to collection, and reported on the Statement of Custodial Activity.

G. Funds with U.S. Treasury

DOL cash receipts and disbursements are processed by the U.S. Treasury. Funds with U.S. Treasury represent obligated and unobligated balances available to finance allowable expenditures and restricted balances, including amounts related to expired authority and amounts not available for use by DOL. (See Note 2.)

H. Investments

DOL administers funds which are invested by Treasury in securities of the U.S. government. Funds held in the Unemployment Trust Fund are invested by Treasury in marketable and non-marketable Treasury securities. Investments are stated at cost and adjusted for amortization of premiums and discounts using the effective interest method. Funds held in the Panama Canal Commission Compensation Fund, the Longshore and Harbor Workers' Trust Fund, the District of Columbia Trust Fund and the Backwage Restitution Fund are also invested by Treasury in marketable Treasury securities. These investments are stated at amortized cost. Discounts and premiums are amortized using the straight-line method, which approximates the effective interest method. The majority of DOL's investments are in non-marketable special issue U.S. Treasury securities, redeemable on demand at their maturity value, which is equivalent to their carrying value in the Consolidated Balance Sheet. Special issues may be bought or sold only by Federal government agencies and trust funds. No secondary market exists for these instruments; therefore, no provision is made in the financial statements for unrealized gains or losses. (See Note 3.)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

I. Accounts Receivable, Net of Allowance

The Federal Employees Compensation (FEC) account within the Unemployment Trust Fund provides unemployment insurance (UI) benefits to eligible Federal workers (UCFE) and ex-service members (UCX). DOL records as accounts receivable amounts due from the responsible Federal agencies for unreimbursed UCFE and UCX benefits.

DOL's Special Benefit Fund provides workers' compensation benefits (FECA benefits) to eligible Federal workers on behalf of other Federal agencies. DOL records as accounts receivable amounts due from the responsible Federal agencies for unreimbursed FECA benefits.

State unemployment taxes due from state employers and unemployment benefit overpayments paid to individuals not entitled to receive benefits are recorded by DOL as accounts receivable. Also included as benefit overpayments receivable are Black Lung Disability, Federal Employees Workers' Compensation, Longshore and Harbor Workers' and District of Columbia benefit overpayments made to individuals who were determined ineligible to receive benefits.

DOL also records as accounts receivable amounts due for fines and penalties levied against employers by OSHA, MSHA, ESA and PWBA and amounts due from ETA's grantees and contractors for disallowed grant costs.

The amounts due for receivables are stated net of an allowance for uncollectible accounts. The allowance is estimated based on past experience in the collection of the receivables and an analysis of the outstanding balances. (See Note 4.)

J. Advances

DOL makes advances to state employment security agencies and to grantees and contractors to provide for future DOL program expenditures. These payments are recorded as an asset, which is reduced when actual expenditures or estimates of unreported expenditures are recorded by DOL. (See Note 5.)

K. Property, Plant and Equipment, Net of Depreciation

The majority of DOL's property, plant and equipment is held by Job Corps centers owned and operated by DOL through a network of contractors. DOL also maintains a departmental property system which accounts for capital equipment used by DOL management. Property, plant and equipment purchases and additions are stated at cost. Normal repairs and maintenance are charged to expense as incurred. Effective in 1996, plant and equipment and internally developed software and systems costs, including hardware, with a cost greater than \$25,000 (\$5,000 for the Working Capital Fund) and a useful life of 2 or more years are capitalized and depreciated. Plant and equipment and internally developed software and systems costing less than \$25,000 (\$5,000 for the Working Capital Fund) or having a useful life of less than 2 years, are charged to expense at the time of purchase. Previously plant and equipment with a cost greater than \$5,000 and a useful life of 2 or more years were capitalized and depreciated. Effective in 1998, only Working Capital Fund internally developed software is capitalized.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

K. Property, Plant and Equipment, Net of Depreciation - Continued

Job Corps center construction costs are capitalized as construction-in-progress until completed and are then classified as improvements to facilities. Leasehold improvements made at Job Corps centers and DOL facilities leased from the General Services Administration are recorded at cost and amortized over their useful lives, using the straight-line amortization method. DOL has no leases longer than one year.

Plant and equipment are depreciated over their useful lives using the straight-line method of depreciation. The following table shows the depreciation periods used for the major classes of DOL plant and equipment:

	<u>Years</u>
Structures, facilities and improvements	20 - 50
Furniture and equipment	2 - 36
ADP software	2 - 15

Programs administering DOL funds have acquired real and tangible property in which DOL has a reversionary interest. When this property is disposed of or no longer used for its authorized purpose, DOL is entitled to a pro rata share of the proceeds from sale or the property's fair market value, if the property is retained but no longer used for DOL purposes. The value of property in which DOL has a reversionary interest is not determinable. (See Note 6.)

L. Advances from U.S. Treasury

Funds are provided by Congressional appropriation, as advances to DOL's Black Lung Disability Trust Fund, as may be necessary to meet the obligations of the fund. Financing for these advances is provided through transfers from the Advances to the Unemployment Trust Fund and Other Funds appropriation. These advances are repayable with interest at a rate determined by the Secretary of the Treasury to be equal to the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the anticipated period during which the advance will be outstanding. Advances made prior to 1982 carried rates of interest equal to the average rate borne by all marketable interest-bearing obligations of the United States then forming a part of the public debt. Outstanding advances at September 30, 1998 bear interest rates ranging from 5.625% to 13.875%. Amounts in the trust fund shall be available, as provided by appropriation acts, for the repayment of and the payment of interest on, these repayable advances. Interest and principal are payable to the general fund of the Treasury when the Secretary of the Treasury determines that funds are available in the trust fund for such purposes. (See Note 7.)

M. Accrued Benefits

The accompanying financial statements include a liability for unemployment, disability and workers' compensation benefits payable under the provisions of the Social Security Act, the Black Lung Benefit Act and the Federal Employees' Compensation Act.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

M. Accrued Benefits - Continued

Authorized unemployment, disability and workers' compensation benefits are paid from designated funds by DOL. Within each program, DOL recognizes a liability for certain unpaid benefits, as discussed below: (See Note 9.)

1. Unemployment Trust Fund

The Unemployment Trust Fund, established under the authority of Section 904 of the Social Security Act of 1935, as amended, provides benefits to unemployed workers who meet State and Federal eligibility requirements. Regular and extended unemployment benefits are paid from State accounts within the Unemployment Trust Fund, financed by a State unemployment tax on employer payrolls. Fifty percent of the cost of extended unemployment benefits is paid from the Extended Unemployment Compensation Account within the Unemployment Trust Fund, financed by a Federal unemployment tax on employer payrolls. Unemployment benefits to unemployed Federal workers are paid from the Federal Employment Compensation Account within the Unemployment Trust Fund. These benefit costs are reimbursed by the responsible Federal agency.

DOL recognizes a liability for unemployment benefits to the extent of unpaid benefits applicable to the current period. DOL recognizes a liability for Federal employees' unemployment benefits to the extent of unpaid benefits for existing claims filed during the current period, payable in the subsequent period.

2. Black Lung Disability Trust Fund

The Black Lung Disability Trust Fund, established under the authority of the Black Lung Benefit Act, provides for compensation and medical benefits for eligible coal miners who are disabled due to pneumoconiosis (black lung disease). DOL recognizes a liability for disability benefits to the extent of unpaid benefits applicable to the current period.

3. Federal Employees Workers' Compensation Fund

The Federal Employees' (Workers') Compensation Special Benefit Fund, established under the authority of the Federal Employees' Compensation Act (FECA), provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The fund is reimbursed by other Federal agencies for the FECA benefit payments made on behalf of their workers. A liability for workers' compensation benefits payable by the Special Benefit Fund to the employees of other Federal agencies is accrued to the extent of unpaid benefits applicable to the current period.

The fund also provides 50% of the annual cost-of-living adjustments for pre-1972 compensation cases under the authority of Section 10(h) of the Longshore and Harbor Workers' Compensation Act and the District of Columbia Workmen's Compensation Act. DOL recognizes a liability for 10(h) payments to the extent of unpaid benefits applicable to the current period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

N. Future Workers' Compensation Benefits

The accompanying financial statements include a liability for future workers' compensation benefits payable by DOL to its employees, to employees of the Panama Canal Commission and to enrollees of the Job Corps, as well as a liability for future workers' compensation benefits payable by the Special Benefit Fund which are not chargeable to other Federal agencies. The Special Benefit Fund assumes a liability for nonchargeable FECA benefits equal to the projected gross liability for future FECA benefits for all Federal agencies less the reserve credits to be charged back to those agencies.

The liability includes the expected liability for death, disability, medical and other approved costs, and is determined using the paid-loss extrapolation method. This methodology uses historical benefit payment patterns related to a specific incurred period to yield projected annual benefit payments. The methodology provides for the effects of inflation by applying wage inflation factors (cost of living adjustments or COLAs) and medical inflation factors (consumer price index medical or CPIMs) to the calculation of projected future benefits. These factors were also used to adjust the methodology's historical payments to current year constant dollars. Thirteen compensation payments were assumed to be made per year, projected over 37 years.

The COLAs and CPIMs used in the projections are shown below.

<u>Fiscal Year</u>	<u>COLA</u>	<u>CPIM</u>
1989	4.47%	6.98%
1990	4.43%	8.40%
1991	5.03%	9.36%
1992	5.00%	7.96%
1993	2.83%	6.61%
1994	2.77%	5.27%
1995	2.57%	4.72%
1996	2.63%	4.00%
1997	2.77%	3.11%
1998	2.70%	2.77%
1999	1.50%	3.56%
2000	1.70%	3.81%
2001	2.17%	3.93%
2002+	2.30%	3.93%

The projected annual benefit payments have been discounted to present value. The interest rate utilized for discounting was 5.60%. (See Note 10.)

New regulations that became effective on January 4, 1999 contain revisions to medical fee schedules and other pay provisions. These new regulations may reduce the projected liability for future FECA benefits in subsequent years.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

O. Accrued Leave

A liability for annual and compensatory leave is accrued as leave is earned and paid when leave is taken. At year end, leave balances are revalued to reflect current wages. The balance of leave earned but not taken will be paid from future funding sources.

Sick leave and other types of nonvested leave are expensed as taken.

P. Employee Health and Life Insurance Benefits

DOL employees are eligible to participate in the contributory Federal Employees Health Benefit Program (FEHBP) and the Federal Employees Group Life Insurance Program (FEGlIP). DOL makes matching contributions to the FEHBP and FEGLIP on behalf of active employees to pay for current benefits. These contributions are recognized as current operating expenses. During 1998, DOL's contributions to the FEHBP and FEGLIP were \$37.1 and \$1.5 million, respectively.

Q. Employee Pension Benefits

DOL employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS), implemented on January 1, 1987. For employees participating in CSRS, DOL withholds 7.00% of their gross earnings. DOL contributes an additional 8.51% of employee gross earnings, and the total of employee withholdings and DOL contributions is transferred to the Civil Service Retirement and Disability Fund. For employees in FERS, DOL withholds 0.8% of gross earnings, and matches the withholding with an 10.7% contribution. This total is transferred to the Federal Employees' Retirement Fund. The CSRS and FERS retirement funds are administered by the OPM. DOL contributions to the CSRS and FERS are recognized as operating expenses.

FERS participants are also covered under the Federal Insurance Contribution Act (FICA) and are subject to FICA withholdings. DOL makes matching contributions to FICA, recognized as operating expenses. DOL's contributions were \$22.4 million during 1998.

On April 1, 1987, the Federal government initiated the Thrift Savings Plan (TSP), which is a defined contribution retirement savings and investment plan for employees covered by either FERS or CSRS. For employees covered under FERS, DOL contributes to the TSP an amount equal to 1% of the employees' pay. FERS participants may contribute up to 10% of their gross pay to the TSP. DOL matches 100% of the first 3% contributed and 50% of the next 2% contributed.

CSRS participants may contribute up to 5% of their gross pay to the TSP, but there is no departmental matching contribution. The maximum amount that either FERS or CSRS employees may contribute to the TSP in a calendar year is \$10,000. DOL contributions to the TSP are recognized as operating expenses. The total of employee and departmental contributions is transferred to the Federal Retirement Thrift Investment Board.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Q. Employee Pension Benefits - Continued

DOL recognizes the full cost of providing future CSRS and FERS pension benefits to covered employees at the time the employees' services are rendered. The pension expense recognized in the financial statements equals the service cost for covered DOL employees, less amounts contributed by these employees. Service cost represents the actuarial present value of benefits attributed to services rendered by covered employees during the accounting period. The measurement of service cost requires the use of actuarial cost methods to determine the percentage of the employees' basic compensation sufficient to fund their projected pension benefit. These percentages (cost factors) are provided by OPM, and applied by DOL to the basic annual compensation of covered employees to arrive at the amount of total pension expense to be recognized in DOL's financial statements. The excess of total pension expense over the amount contributed by the Department and DOL's employees represents the amount of pension expense which must be financed directly by OPM. DOL recognized as non-exchange revenue an imputed financing source equal to the excess amount. DOL does not report in its financial statements FERS or CSRS assets, accumulated plan benefits or unfunded liabilities, if any, applicable to its employees. (See Note 12.)

R. Other Retirement Benefits

DOL employees eligible to participate in the contributory Federal Employees Health Benefit Program and the Federal Employees Group Life Insurance Program may continue to participate in these programs after their retirement. DOL recognizes a current expense for the future cost of other retirement benefits (ORB) at the time the employee's services are rendered. This ORB expense must be financed by OPM, and is offset by DOL through recognition of an imputed financing source. In 1998, using cost factors supplied by OPM, DOL recorded a current expense and imputed financing of \$37.0 million, to recognize the cumulative future cost of post-retirement health and life insurance benefits.

S. Net Position

DOL's net position at September 30, 1998, consisted of the following:

1. Unexpended appropriations

Unexpended appropriations include appropriations not yet obligated or expended, represented by the unobligated balances and undelivered orders of DOL's appropriated funds. Multi-year appropriations remain available to DOL for obligation in future periods. Unobligated balances associated with appropriations that expire at the end of the fiscal year remain available for obligation adjustments, but not new obligations, until that account is closed, five years after the appropriations expire. (See Note 11).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

S. Net Position - Continued

2. Cumulative results of operations

Cumulative results of operations at September 30, 1998, include the following:

- The accumulated difference between expenses consuming budgetary resources and financing sources providing budgetary resources during the current and prior fiscal years;
- DOL's investment in capitalized assets, which increases as capital assets are acquired and decreases as capital assets are consumed (depreciated) or disposed of; and
- The excess of certain liabilities not covered by budgetary resources, net of certain assets not providing budgetary resources, whose liquidation will require funding from future Congressional appropriations or other budgetary resources. (See Note 11).

NOTE 2 - FUNDS WITH U.S. TREASURY

Funds with U.S. Treasury at September 30, 1998 consisted of the following:

(Dollars in thousands)	Entity Assets			Non-entity Assets	Total
	Obligated	Unobligated	Total		
Revolving funds	\$ 13,719	\$ 12,721	\$ 26,440	\$ -	\$ 26,440
Trust funds	617	319,162	319,779	(26)	319,753
Appropriated funds	6,538,932	2,877,247	9,416,179	-	9,416,179
Other	-	-	-	46,904	46,904
	<u>\$ 6,553,268</u>	<u>\$ 3,209,130</u>	<u>\$ 9,762,398</u>	<u>\$ 46,878</u>	<u>\$ 9,809,276</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998

NOTE 3 - INVESTMENTS

Investments at September 30, 1998 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Face Value</u>	<u>Premium (Discount)</u>	<u>Net Value</u>	<u>Market Value</u>
Unemployment Trust Fund				
<u>Marketable</u>				
U.S. Treasury Bonds				
3.500% maturing November 15, 1998	\$ 43,200	\$ 1	\$ 43,201	\$ 43,200
<u>Non-marketable</u>				
U.S. Treasury Certificates of Indebtedness				
6.625% maturing June 30, 1999	1,641,411	-	1,641,411	1,641,411
Special issue U.S. Treasury Bonds				
6.875% maturing June 30, 1999	16,733,257	-	16,733,257	16,733,257
6.875% maturing June 30, 2000	8,000,000	-	8,000,000	8,000,000
6.875% maturing June 30, 2001	21,000,000	-	21,000,000	21,000,000
6.875% maturing June 30, 2002	23,223,478	-	23,223,478	23,223,478
	<u>68,956,735</u>	<u>-</u>	<u>68,956,735</u>	<u>68,956,735</u>
	<u>70,641,346</u>	<u>1</u>	<u>70,641,347</u>	<u>70,641,346</u>
Panama Canal Commission				
Compensation Fund				
<u>Marketable</u>				
U.S. Treasury Notes				
5.500% to 7.875% various maturities	35,889	409	36,298	38,016
U.S. Treasury Bonds				
7.500% to 14.000% various maturities	42,732	8,313	51,045	56,708
	<u>78,621</u>	<u>8,722</u>	<u>87,343</u>	<u>94,724</u>
Longshore and Harbor Workers'				
Trust Fund				
<u>Marketable</u>				
U.S. Treasury Bills				
2.900% to 4.980% various maturities	50,332	(483)	49,849	49,849
District of Columbia Trust Fund				
<u>Marketable</u>				
U.S. Treasury Bills				
3.680% to 4.840% various maturities	5,124	(51)	5,073	5,073
Backwage Restitution Fund				
<u>Marketable</u>				
U.S. Treasury Bills				
4.440% to 5.150% various maturities	7,296	(39)	7,257	7,257
	<u>\$ 70,782,719</u>	<u>\$ 8,150</u>	<u>\$ 70,790,869</u>	<u>\$ 70,798,249</u>
Entity investments	\$ 70,702,208	\$ 8,189	\$ 70,710,397	\$ 70,716,583
Non-entity investments	80,511	(39)	80,472	81,666
	<u>\$ 70,782,719</u>	<u>\$ 8,150</u>	<u>\$ 70,790,869</u>	<u>\$ 70,798,249</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998

NOTE 4 - ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

Accounts receivable at September 30, 1998 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Gross Accounts Receivable</u>	<u>Allowance</u>	<u>Net Accounts Receivable</u>
Entity assets			
Intragovernmental			
Due from other Federal agencies for:			
UCFE and UCX benefits	\$ 210,236	\$ -	\$ 210,236
Workers' compensation benefits	3,136,630	-	3,136,630
Interest from Treasury securities	1,178,435	-	1,178,435
Other	8,582	-	8,582
Total intragovernmental	<u>4,533,883</u>	<u>-</u>	<u>4,533,883</u>
State unemployment taxes	512,543	(382,213)	130,330
Due from reimbursable employers	309,092	(23,720)	285,372
Benefit overpayments	2,087,781	(1,938,892)	148,889
Interest	3,078	-	3,078
Other	6,243	(908)	5,335
	<u>2,918,737</u>	<u>(2,345,733)</u>	<u>573,004</u>
Non-entity assets			
Intragovernmental			
Interest from Treasury securities	1,220	-	1,220
Fines and penalties	90,825	(52,873)	37,952
Backwages	6,009	(633)	5,376
	<u>96,834</u>	<u>(53,506)</u>	<u>43,328</u>
	<u>\$ 7,550,674</u>	<u>\$ (2,399,239)</u>	<u>\$ 5,151,435</u>

Changes in the allowance for doubtful accounts during 1998 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Allowance September 30, 1997</u>	<u>Write-offs</u>	<u>Revenue Adjustment</u>	<u>Bad Debt</u>	<u>Allowance September 30, 1998</u>
Entity assets					
State unemployment taxes	\$ (405,898)	\$ 251,168	\$ (227,483)	\$ -	\$ (382,213)
Due from reimbursable employers	(21,686)	13,572	(15,606)	-	(23,720)
Benefit overpayments	(1,845,781)	139,391	-	(232,502)	(1,938,892)
Other	(21,698)	21,533	-	(743)	(908)
	<u>(2,295,063)</u>	<u>425,664</u>	<u>(243,089)</u>	<u>(233,245)</u>	<u>(2,345,733)</u>
Non-entity assets					
Fines and penalties	(90,371)	50,727	(13,229)	-	(52,873)
Backwages	(913)	280	-	-	(633)
	<u>(91,284)</u>	<u>51,007</u>	<u>(13,229)</u>	<u>-</u>	<u>(53,506)</u>
	<u>\$ (2,386,347)</u>	<u>\$ 476,671</u>	<u>\$ (256,318)</u>	<u>\$ (233,245)</u>	<u>\$ (2,399,239)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998

NOTE 5 - ADVANCES

Advances consisted of the following at September 30, 1998:

<u>(Dollars in thousands)</u>	<u>1998</u>
Advances to states for UI benefit payments	\$ 177,444
Advances to grantees and contractors to finance future DOL program expenditures	5,998
Other	<u>2,461</u>
	<u>\$ 185,903</u>

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT, NET OF DEPRECIATION

Property, plant and equipment consisted of the following at September 30, 1998:

<u>(Dollars in thousands)</u>	<u>Cost or Basis</u>	<u>Accumulated Depreciation/ Amortization</u>	<u>Net Book Value</u>
Structures, facilities and improvements			
Structures and facilities	\$ 592,960	\$ (253,930)	\$ 339,030
Improvements to leased facilities	<u>232,971</u>	<u>(112,363)</u>	<u>120,608</u>
	<u>825,931</u>	<u>(366,293)</u>	<u>459,638</u>
Furniture and equipment			
Equipment held by contractors	176,224	(163,000)	13,224
Furniture and equipment	<u>59,260</u>	<u>(27,193)</u>	<u>32,067</u>
	<u>235,484</u>	<u>(190,193)</u>	<u>45,291</u>
ADP software	46,885	(25,560)	21,325
Construction-in-progress	61,772	-	61,772
Land	<u>58,808</u>	<u>-</u>	<u>58,808</u>
	<u>\$ 1,228,880</u>	<u>\$ (582,046)</u>	<u>\$ 646,834</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998

NOTE 7 - ADVANCES FROM U.S. TREASURY

Advances from U.S. Treasury to the Black Lung Disability Trust Fund during 1998 consisted of the following:

(Dollars in thousands)	Balance at September 30, 1997	Net Borrowing	Balance at September 30, 1998
Liabilities not covered by budgetary resources			
Borrowing from the Treasury	\$ 5,486,557	\$ 370,000	\$ 5,856,557
	<u>\$ 5,486,557</u>	<u>\$ 370,000</u>	<u>\$ 5,856,557</u>

These repayable advances represent \$5.857 billion of the fund's \$5.890 billion net future funding requirement at September 30, 1998. Assuming the continuation of current operating conditions, repayment of these and necessary future advances will require a change in the statutory operating structure of the fund.

NOTE 8 - OTHER LIABILITIES

Other liabilities, all of which are current, consisted of the following at September 30, 1998:

(Dollars in thousands)	1998
Liabilities covered by budgetary resources	
Intragovernmental	
Excess UTF investments due to U.S. Treasury	\$ 24,881
Unearned FECA assessments	20,253
Accrued payroll and benefits	7,626
Advance from U.S. General Services Administration	519
Total intragovernmental	<u>53,279</u>
Accrued payroll and benefits	<u>43,072</u>
Total liabilities covered by budgetary resources	<u>96,351</u>
Liabilities not covered by budgetary resources	
Intragovernmental	
Non-entity receipts due to U.S. Treasury	37,952
Amounts held for the Railroad Retirement Board	74,408
Deposit and clearing accounts	15,626
Total intragovernmental	<u>127,986</u>
Due to Backwage recipients	39,872
Unearned assessment revenue	32,409
Deposit and clearing accounts	4,039
Readjustment allowances and other Job Corps liabilities	36,281
	<u>112,601</u>
Total liabilities not covered by budgetary resources	<u>240,587</u>
	<u>\$ 336,938</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998

NOTE 9 - ACCRUED BENEFITS

Accrued benefits at September 30, 1998 consisted of the following:

<u>(Dollars in thousands)</u>	<u>1998</u>
Liabilities covered by budgetary resources	
State regular and extended unemployment benefits payable	\$ 488,305
Federal extended unemployment benefits payable	15,919
Federal emergency unemployment benefits payable	9,812
Federal employees' unemployment benefits payable	12,548
Disability benefits payable to Federal employees and 10(h) benefits payable	97,522
	<u>624,106</u>
Liabilities not covered by budgetary resources	
Federal employees' unemployment benefits for existing claims due in the subsequent year	79,023
Disability benefits payable to coal mine workers requiring future funding	33,911
	<u>112,934</u>
	<u>\$ 737,040</u>

NOTE 10 - FUTURE WORKERS' COMPENSATION BENEFITS

The Department's liability for future workers' compensation benefits at September 30, 1998, consisted of projected benefits to qualifying DOL workers and beneficiaries, payable by the employing DOL agency to the Federal Employees Workers' Compensation Fund, and from the Federal Employees Workers' Compensation Fund to qualifying workers and beneficiaries not chargeable to a Federal agency, as follows:

<u>(Dollars in thousands)</u>	<u>1998</u>
Liabilities not covered by budgetary resources	
FECA benefits due to eligible workers of the Panama Canal Commission	\$ 77,353
FECA benefits due to eligible Job Corps enrollees and workers of DOL	114,222
FECA benefits not chargeable to other Federal agencies	417,705
	<u>531,927</u>
	<u>\$ 609,280</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998

NOTE 10 - FUTURE WORKERS' COMPENSATION BENEFITS - Continued

Future workers compensation benefits not chargeable to other Federal agencies are payable by DOL's Federal Employees Workers' Compensation Fund (FEWCF) without reimbursement. The non-chargeable liability at September 30, 1998 consisted of the projected future FECA liability for all Federal agencies, net of reserve credits which will be charged back to those agencies, as follows:

<u>(Dollars in thousands)</u>	<u>1998</u>
Projected gross liability for future FECA benefits	\$ 17,486,844
Less reserve credits:	
U.S. Postal Service	4,621,367
Department of Navy	2,390,148
Department of Army	1,442,824
Department of Veterans Affairs	1,310,572
Department of Air Force	1,199,504
Department of Transportation	1,061,978
Tennessee Valley Authority	627,733
Department of Treasury	717,026
Department of Agriculture	587,834
Department of Justice	608,799
Department of Interior	428,526
Department of Defense, Other	638,300
Department of Health and Human Services	180,571
Social Security Administration	188,374
General Services Administration	161,704
Department of Commerce	110,373
Department of Energy	56,245
Department of State	46,881
Department of Housing & Urban Development	56,869
Department of Education	5,533
National Air and Space Administration	51,455
Environmental Protection Agency	18,974
Federal Emergency Management Association	6,418
Small Business Administration	15,372
Office of Personnel Management	4,718
Nuclear Regulatory Commission	4,795
Agency for International Development	35,005
Other	299,666
Panama Canal Commission Compensation Fund	77,353
Department of Labor	114,222
	<u>17,069,139</u>
Liability for non-chargeable FECA benefits payable by FEWCF	<u>\$ 417,705</u>

The Federal Employees Workers' Compensation Fund had unexpended authority of \$1.04 billion at September 30, 1998. This authority was available to partially fund the projected gross liability for future FECA benefits government-wide. The Panama Canal Commission Compensation Fund had unexpended authority of \$78.11 million at September 30, 1998, which fully funds its liability for future FECA benefits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998

NOTE 11 - NET POSITION

DOL's net position by fund type at September 30, 1998 consisted of the following:

(Dollars in thousands)	Revolving Fund	Trust Funds	Appropriated Funds	Elimi- nations	Total
Unexpended appropriations					
Unobligated balance available	\$ -	\$ -	\$ 2,278,179	\$ -	\$ 2,278,179
Unobligated balance unavailable	-	-	617,504	-	617,504
Undelivered orders	-	-	7,394,297	-	7,394,297
Total unexpended appropriations	-	-	10,289,980	-	10,289,980
Cumulative results of operations					
Unemployment Trust Fund					
Federal accounts	-	22,053,246	-	-	22,053,246
State accounts	-	47,156,250	-	-	47,156,250
	-	69,209,496	-	-	69,209,496
Longshore and Harbor Workers' Trust Fund	-	49,497	-	-	49,497
District of Columbia Trust Fund	-	5,118	-	-	5,118
Black Lung Disability Trust Fund	-	19,561	-	-	19,561
Other	15,055	2,887	78,115	-	96,057
	15,055	69,286,559	78,115	-	69,379,729
Liabilities not covered by budgetary resources:					
Future workers' compensation benefits	(2,230)	-	(609,280)	2,230	(609,280)
Advances from U.S. Treasury	-	(5,856,557)	-	-	(5,856,557)
Accrued benefits	-	(112,934)	-	-	(112,934)
Accrued annual leave	(3,395)	-	(79,666)	-	(83,061)
Other	(438)	(106,818)	(134,207)	876	(240,587)
	(6,063)	(6,076,309)	(823,153)	3,106	(6,902,419)
Assets not providing budgetary resources:					
Due from Federal agencies for:					
UCFE and UCX benefits	-	195,162	-	-	195,162
Workers' compensation benefits	-	-	3,068,572	(438)	3,068,134
Due from reimbursable employers for unemployment compensation	-	285,372	-	-	285,372
Net state unemployment taxes receivable	-	130,330	-	-	130,330
Net benefit overpayment receivable	-	136,753	12,136	-	148,889
Interest receivable	-	1,178,791	2,722	-	1,181,513
Other	2,784	75,758	108,080	(2,668)	183,954
	2,784	2,002,166	3,191,510	(3,106)	5,193,354
Net investment in capitalized assets	13,587	11	633,236	-	646,834
Total cumulative results of operations	25,363	65,212,427	3,079,708	-	68,317,498
	\$ 25,363	\$ 65,212,427	\$ 13,369,688	\$ -	\$ 78,607,478

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998

NOTE 12 - PENSION EXPENSE

The Department recognizes the full cost of providing future pension benefits to eligible employees while they are working. The excess of total pension expense over the amounts contributed by DOL and its employees must be financed by OPM. DOL recognizes an imputed financing source equal to this excess amount.

Pension expense in 1998 consisted of the following:

(Dollars in thousands)	Employer Contributions	Accumulated Costs Imputed to OPM	Total Pension Expense
Civil Service Retirement System	\$ 40,759	\$ 43,038	\$ 83,797
Federal Employees' Retirement System	36,492	-	36,492
Thrift Savings Plan	13,699	-	13,699
	<u>\$ 90,950</u>	<u>\$ 43,038</u>	<u>\$ 133,988</u>

NOTE 13 - OTHER NON-EXCHANGE REVENUE

Other non-exchange revenues in 1998 consisted of the following:

(Dollars in thousands)	1998
Interest from investments	
Unemployment Trust Fund	\$ 4,451,977
Longshore and Harbor Workers' Trust Fund	1,810
District of Columbia Trust Fund	148
Panama Canal Commission Compensation Fund	5,373
	<u>4,459,308</u>
Non-Federal Interest	<u>2,988</u>
	<u>4,462,296</u>
Assessments	
Longshore and Harbor Workers' Trust Fund	115,106
District of Columbia Trust Fund	11,364
Other	283
	<u>126,753</u>
Reimbursements from state and local government entities and non-profit organizations	
Unemployment Trust Fund	<u>1,026,370</u>
	<u>\$ 5,615,419</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998

NOTE 14 - TRANSFERS

Transfers from (to) other Federal agencies in 1998 consisted of the following:

<u>(Dollars in thousands)</u>	<u>1998</u>
Panama Canal Commission	\$ 5,000
Environmental Protection Agency	650
General Services Administration	9,148
	<u>14,798</u>
General Services Administration	<u>(836)</u>
	<u>\$ 13,962</u>

NOTE 15 - RECONCILIATION TO THE BUDGET

A reconciliation of budgetary resources, obligations incurred and outlays, as presented in the Consolidated Statement of Budgetary Resources, to amounts included in the Budget of the United States Government for the year ended September 30, 1998 is shown below.

<u>(Dollars in millions)</u>	<u>Budgetary Resources</u>	<u>Obligations Incurred</u>	<u>Outlays</u>
Consolidated Statement of Budgetary Resources	\$ 107,512	\$ 35,323	\$ 31,596
Pension Benefit Guaranty Corporation reported separately	9,721	1,001	(1,218)
DOL allocation accounts reported by other Federal agencies	241	145	145
Accruals not reported in the budget	1,513	(296)	-
Non-expenditure transfers for Veterans Employment and Training reported as offsetting collections and obligations in the budget	182	182	-
Eliminations made for Consolidated Financial Statements	3,591	3,591	-
Resources in expired accounts	(274)	-	-
Other	<u>29</u>	<u>(9)</u>	<u>-</u>
Budget of the United States Government	<u>\$ 122,515</u>	<u>\$ 39,937</u>	<u>\$ 30,523</u>

NOTE 16 - PROGRAM COSTS

The schedules which follow present detailed cost and revenue information by suborganization (responsibility segment) for the Department, the Employment and Training Administration and the Employment Standards Administration in support of the summary information presented in the Consolidated Statement of Net Cost. Detailed cost and revenue information by budget function is also presented.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998

NOTE 16 - PROGRAM COSTS - Continued**A. Consolidating Statement of Net Costs by Suborganization**

Net costs by suborganization for the year ended September 30, 1998 consisted of the following:

<u>(Dollars in Thousands)</u>	<u>Employment and Training Administration</u>	<u>Employment Standards Administration</u>	<u>Occupational Safety and Administration</u>	<u>Bureau of Labor Statistics</u>
CROSSCUTTING PROGRAMS				
Income maintenance costs				
Intragovernmental	\$ 116,424	\$ 519,841	\$ -	\$ -
With the public	22,724,577	2,631,544	-	-
Total costs	22,841,001	3,151,385	-	-
Less earned revenue	(466,036)	(1,902,490)	-	-
Net program costs	22,374,965	1,248,895	-	-
Employment and training costs				
Intragovernmental	43,847	-	-	-
With the public	5,934,401	-	-	-
Total costs	5,978,248	-	-	-
Less earned revenue	(608)	-	-	-
Net program costs	5,977,640	-	-	-
Labor, employment and pension standards costs				
Intragovernmental	-	50,827	-	-
With the public	-	210,104	-	-
Total costs	-	260,931	-	-
Less earned revenue	-	(2,635)	-	-
Net program costs	-	258,296	-	-
Worker safety and health costs				
Intragovernmental	-	-	56,480	-
With the public	-	-	318,729	-
Total costs	-	-	375,209	-
Less earned revenue	-	-	(1,421)	-
Net program costs	-	-	373,788	-
OTHER PROGRAMS				
Statistics costs				
Intragovernmental	-	-	-	133,576
With the public	-	-	-	281,013
Total costs	-	-	-	414,589
Less earned revenue	-	-	-	(21,891)
Net program costs	-	-	-	392,698
Costs not assigned to programs	-	-	-	-
Less earned revenue not attributed to programs	-	-	-	-
Net costs not assigned to programs	-	-	-	-
Net cost of operations	<u>\$ 28,352,605</u>	<u>\$ 1,507,191</u>	<u>\$ 373,788</u>	<u>\$ 392,698</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998

<u>Mine Safety and Health Administration</u>	<u>Pension Welfare Benefits Administration</u>	<u>Veterans Employment and Training</u>	<u>Other Departmental Programs</u>	<u>Eliminations</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 9,599	\$ (142)	\$ 645,722
-	-	-	23,645	(17,522)	25,362,244
-	-	-	33,244	(17,664)	26,007,966
-	-	-	-	17,705	(2,350,821)
-	-	-	33,244	41	23,657,145
-	-	5,840	36	(12,113)	37,610
-	-	177,694	469	5,152	6,117,716
-	-	183,534	505	(6,961)	6,155,326
-	-	(41)	-	-	(649)
-	-	183,493	505	(6,961)	6,154,677
-	27,870	-	8,520	(1,925)	85,292
-	72,315	-	23,551	579	306,549
-	100,185	-	32,071	(1,346)	391,841
-	(10)	-	-	-	(2,645)
-	100,175	-	32,071	(1,346)	389,196
58,259	-	-	-	(11,104)	103,635
160,781	-	-	-	10,995	490,505
219,040	-	-	-	(109)	594,140
(9)	-	-	-	-	(1,430)
219,031	-	-	-	(109)	592,710
-	-	-	-	(301)	133,275
-	-	-	-	370	281,383
-	-	-	-	69	414,658
-	-	-	-	7,704	(14,187)
-	-	-	-	7,773	400,471
-	-	-	65,359	8	65,367
-	-	-	(20,250)	(406)	(20,656)
-	-	-	45,109	(398)	44,711
\$ 219,031	\$ 100,175	\$ 183,493	\$ 110,929	\$ (1,000)	\$ 31,238,910

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998

NOTE 16 - PROGRAM COSTS - Continued

B. Consolidating Statement of Net Costs - Employment and Training Administration

Net costs of the Employment and Training Administration for the year ended September 30, 1998 consisted of the following:

<u>(Dollars in Thousands)</u>	<u>Employment Security</u>	<u>Training and Employment Programs</u>	<u>Total</u>
CROSSCUTTING PROGRAMS			
Income maintenance costs			
Benefits	\$ 19,919,006	\$ -	\$ 19,919,006
Grants	2,777,833	-	2,777,833
Interest	3,172	-	3,172
Other	140,990	-	140,990
Total costs	22,841,001	-	22,841,001
Less earned revenue	(466,036)	-	(466,036)
Net program costs	22,374,965	-	22,374,965
Employment and training costs			
Benefits	-	3,866	3,866
Grants	880,958	4,884,834	5,765,792
Other	897	207,693	208,590
Total costs	881,855	5,096,393	5,978,248
Less earned revenue	-	(608)	(608)
Net program costs	881,855	5,095,785	5,977,640
Net cost of operations	<u>\$ 23,256,820</u>	<u>\$ 5,095,785</u>	<u>\$ 28,352,605</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998

NOTE 16 - PROGRAM COSTS - Continued**C. Consolidating Statement of Net Costs - Employment Standards Administration**

Net costs of the Employment Standards Administration for the year ended September 30, 1998 consisted of the following:

<u>(Dollars in Thousands)</u>	<u>Office of Workers Compensation Programs</u>	<u>Office of Federal Contract Compliance</u>	<u>Wage and Hour Division</u>	<u>Office of Labor Management Standards</u>	<u>Eliminations</u>	<u>Total</u>
CROSSCUTTING PROGRAMS						
Income maintenance costs						
Benefits	\$ 2,507,080	\$ -	\$ -	\$ -	\$ (1,774)	\$ 2,505,306
Interest	494,726	-	-	-	-	494,726
Other	<u>151,353</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,353</u>
Total costs	3,153,159	-	-	-	(1,774)	3,151,385
Less earned revenue	<u>(1,904,264)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,774</u>	<u>(1,902,490)</u>
Net program costs	<u>1,248,895</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,248,895</u>
Labor, employment and pension standards costs						
Benefits	-	686	1,389	192	-	2,267
Other	<u>-</u>	<u>77,208</u>	<u>149,181</u>	<u>32,275</u>	<u>-</u>	<u>258,664</u>
Total costs	-	77,894	150,570	32,467	-	260,931
Less earned revenue	-	(3)	(2,631)	(1)	-	(2,635)
Net program costs	<u>-</u>	<u>77,891</u>	<u>147,939</u>	<u>32,466</u>	<u>-</u>	<u>258,296</u>
Net costs of operations	<u>\$ 1,248,895</u>	<u>\$ 77,891</u>	<u>\$ 147,939</u>	<u>\$ 32,466</u>	<u>\$ -</u>	<u>\$ 1,507,191</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998

NOTE 16 - PROGRAM COSTS - Continued**D. Consolidating Statement of Net Costs by Budget Function**

Net costs by budget function for the year ended September 30, 1998 consisted of the following:

<u>(Dollars in Thousands)</u>	<u>Natural Resources and Environment</u>	<u>Education, Training and Employment</u>	<u>Health</u>
CROSSCUTTING PROGRAMS			
Income maintenance costs			
Intragovernmental	\$ -	\$ 43,108	\$ -
With the public	-	162,400	36
Total costs	-	205,508	36
Less earned revenue	-	(2,533)	-
Net program costs	-	202,975	36
Employment and training costs			
Intragovernmental	-	49,463	-
With the public	-	5,230,969	-
Total costs	-	5,280,432	-
Less earned revenue	-	(649)	-
Net program costs	-	5,279,783	-
Labor, employment and pension standards costs			
Intragovernmental	-	65,152	-
With the public	-	244,081	-
Total costs	-	309,233	-
Less earned revenue	-	(2,645)	-
Net program costs	-	306,588	-
Worker safety and health costs			
Intragovernmental	-	8,757	105,982
With the public	382	26,183	452,945
Total costs	382	34,940	558,927
Less earned revenue	-	(15)	(1,415)
Net program costs	382	34,925	557,512
OTHER PROGRAMS			
Statistics costs			
Intragovernmental	-	133,576	-
With the public	-	281,013	-
Total costs	-	414,589	-
Less earned revenue	-	(21,891)	-
Net program costs	-	392,698	-
Costs not assigned to programs	-	65,250	-
Less earned revenue not attributed to programs	-	(20,250)	-
Net costs not assigned to programs	-	45,000	-
Net cost of operations	<u>\$ 382</u>	<u>\$ 6,261,969</u>	<u>\$ 557,548</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998

<u>Income Security</u>	<u>General Government</u>	<u>Eliminations</u>	<u>Totals</u>
\$ 602,756	\$ -	\$ (142)	\$ 645,722
25,219,104	-	(19,296)	25,362,244
25,821,860	-	(19,438)	26,007,966
(2,367,767)	-	19,479	(2,350,821)
23,454,093	-	41	23,657,145
260	-	(12,113)	37,610
881,595	-	5,152	6,117,716
881,855	-	(6,961)	6,155,326
-	-	-	(649)
881,855	-	(6,961)	6,154,677
23,839	-	(3,699)	85,292
60,115	-	2,353	306,549
83,954	-	(1,346)	391,841
-	-	-	(2,645)
83,954	-	(1,346)	389,196
-	-	(11,104)	103,635
-	-	10,995	490,505
-	-	(109)	594,140
-	-	-	(1,430)
-	-	(109)	592,710
-	-	(301)	133,275
-	-	370	281,383
-	-	69	414,658
-	-	7,704	(14,187)
-	-	7,773	400,471
-	109	8	65,367
-	-	(406)	(20,656)
-	109	(398)	44,711
<u>\$ 24,419,902</u>	<u>\$ 109</u>	<u>\$ (1,000)</u>	<u>\$ 31,238,910</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998

NOTE 17 - DEDICATED COLLECTIONS

DOL is responsible for the operation of four major trust funds. The financial position of each trust fund as of September 30, 1998 is shown below:

(Dollars in thousands)	<u>Unemployment</u>	<u>Black Lung Disability</u>	<u>Longshore and Harbor Workers</u>	<u>District of Columbia</u>
Assets				
Intragovernmental				
Funds with U.S. Treasury	\$ 296,963	\$ 19,561	\$ 189	\$ 62
Investments	70,641,347	-	49,849	5,073
Accounts receivable, net				
Due from other Federal agencies				
For UCX and UCFE benefits	210,236	-	-	-
Interest	<u>1,176,933</u>	<u>-</u>	<u>-</u>	<u>-</u>
	72,325,479	19,561	50,038	5,135
Accounts receivable, net				
State unemployment tax	130,330	-	-	-
Due from reimbursable employers	285,372	-	-	-
Benefit overpayments	123,049	12,901	778	24
Other	-	3,078	1,157	11
Advances to states	<u>177,444</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 73,041,674</u>	<u>\$ 35,540</u>	<u>\$ 51,973</u>	<u>\$ 5,170</u>
Liabilities				
Intragovernmental				
Accounts payable to ETA - SUIESO	\$ 1,296,676	\$ -	\$ -	\$ -
Advances from U.S. Treasury	-	5,856,557	-	-
Amounts held for the Railroad				
Retirement Board	74,409	-	-	-
Excess investments due				
to U.S. Treasury	<u>24,883</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total intragovernmental	1,395,968	5,856,557	-	-
Accounts payable	-	-	376	-
Accrued benefits	605,607	33,911	-	-
Other	-	-	29,467	2,942
Total liabilities	<u>2,001,575</u>	<u>5,890,468</u>	<u>29,843</u>	<u>2,942</u>
Net position				
Cumulative results of operations	<u>71,040,099</u>	<u>(5,854,928)</u>	<u>22,130</u>	<u>2,228</u>
Total liabilities and net position	<u>\$ 73,041,674</u>	<u>\$ 35,540</u>	<u>\$ 51,973</u>	<u>\$ 5,170</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998

NOTE 17 - DEDICATED COLLECTIONS - Continued

The net results of operations of each trust fund for the year ended September 30, 1998 is shown below.

<u>(Dollars in thousands)</u>	<u>Unemployment</u>	<u>Black Lung Disability</u>	<u>Longshore and Harbor Workers</u>	<u>District of Columbia</u>
Expenses, net of earned revenues				
Benefits	\$ (19,919,041)	\$ (451,801)	\$ (124,878)	\$ (10,917)
Interest	(3,172)	(494,726)	-	-
Administrative	(105,854)	(2)	-	-
	(20,028,067)	(946,529)	(124,878)	(10,917)
Exchange revenue	452,781	-	-	-
	(19,575,286)	(946,529)	(124,878)	(10,917)
Financing sources				
Taxes	26,352,812	635,830	-	-
Interest	4,453,301	1,727	1,748	145
Assessments	1,026,371	-	115,106	11,365
Transfers-in				
DOL entities	1,011	693	-	-
Transfers-out				
DOL entities	(3,592,743)	(45,994)	(993)	-
	28,240,752	592,256	115,861	11,510
Net results of operations	8,665,466	(354,273)	(9,017)	593
Net position, beginning of period	62,374,633	(5,500,655)	31,147	1,635
Net position, end of period	<u>\$ 71,040,099</u>	<u>\$ (5,854,928)</u>	<u>\$ 22,130</u>	<u>\$ 2,228</u>

NOTE 18 - CONTINGENCIES

The Black Lung Disability Trust Fund (BLDTF) receives its revenue from excise taxes on all coal mined in the United States. In December 1998, the United States District Court for the Eastern District of Virginia held that the excise tax on exported coal, as applied to the plaintiff coal companies in this case, violated the constitutional prohibition against taxes on exports. The court ordered the government to refund approximately \$680,000 in excise taxes previously collected from plaintiffs on coal exported to foreign customers in the first quarter of 1997. The Department of Justice is evaluating whether, and on what grounds, to appeal. While the potential liability in this case would not materially affect the BLDTF's financial condition, the loss of future tax revenue would have a material impact on the financial condition of the BLDTF. We estimate that the excise tax on exported coal is approximately 15 percent of the BLDTF's revenue. The BLDTF would need to increase its borrowing from the Treasury to cover the lost revenue. Additionally, should the government have to refund excise taxes previously collected on exported coal, its liability could be in the hundreds of millions of dollars. We have not determined whether such refunds would be payable by the BLDTF, or by other sources.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1998
